

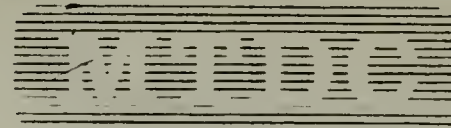
84 State Street

Boston, Massachusetts 02109

Telephone (617) 723-4920



312066 0273 8267 1



John F. Hodgman

President

GUIDELINES FOR APPLICANTS

The Massachusetts Technology Development Corporation is a development finance organization which provides a source of capital to new and expanding high-technology companies. MTDC finances companies which have the capacity to generate significant employment growth in Massachusetts but which have been unable to secure from conventional sources sufficient capital to fund such expansion.

MTDC is an independent public agency which arranges financing in syndication with a variety of private financial institutions.

INVESTMENT CONTACTS

Robert J. Crowley
Vice President

James R. Ayers
Comptroller

GOVERNMENT DOCUMENT
COLLECTION

DEC 19 1984

University of Massachusetts
Depository Copy

Investment Guidelines

MTDC makes investments in companies which are at an early stage of their development, most often at the point where full-scale commercialization of a major new product line is the next step in the company's business strategy.

MTDC makes investments only in companies with the following characteristics:

- The company must be located in Massachusetts or agree to relocate to Massachusetts.
- The company's business must be technology-based and its principal products or services must be sufficiently innovative to provide a competitive advantage.
- The business expansion which MTDC's investment would finance must produce a significant growth in employment.
- The company must be able to demonstrate that it has been unable to secure from conventional sources sufficient capital on affordable terms to finance its expansion.

MTDC seeks to make all of its investments on a co-venture basis with compatible professional investors from the private sector. Our financial partner in a venture is usually a venture capital firm but may be any of the following: banks, SBIC's, insurance companies, limited partnerships, informal investor networks, and individual and corporate investors with substantial net worths.

MTDC makes investments in amounts up to \$500,000. The size of MTDC's initial investment is determined by the capital needs of the company and the investment of the co-investor. The typical initial investment is in the range of \$100,000 to \$250,000.

All MTDC investments are made as a combination of debt and equity. The debt portion of the financing is typically a long-term, unsecured, subordinated note at a favorable interest rate with a partial moratorium on principal repayment. As a condition of providing such favorable debt financing, MTDC seeks an equity participation which is fair and reasonable when compared to the investment being made by the co-investor. The typical equity participation is through the purchase of common stock.

Operating Procedures

MTDC's professional staff negotiates with each company an investment whose terms are specifically tailored to meet the needs of the company, the interests of the co-investor and the goals of MTDC.

While the terms of each investment differ according to the needs of the particular situation, the process by which the MTDC investment decision is reached remains constant. Investment decisions are reached as a result of a four-step process:

- Initial review by the professional staff;
- In-depth analysis by the professional staff;
- Review by the Investment Advisory Committee of the Board of Directors;
- Consideration and vote by the full Board of Directors.

When an investment proposal is first brought to MTDC, one of our analysts has a preliminary discussion with the sponsor of the proposal and reviews the company's business plan. If the product of that discussion and review is a conclusion that there is a potential mutuality of interest between the company's business needs and plans and MTDC's investment goals and guidelines, MTDC's staff undertakes an in-depth study of the company. The study produces a thorough analysis of all facets of the company and includes an on-site review of the company's operations and consultation with its senior managers.

At the conclusion of the in-depth analysis, the professional staff, in consultation with the President, determines whether to recommend an investment. The President is authorized to make a commitment concerning the financial terms of a proposed investment, but only the Board can commit the corporation to close the transaction.

If the staff conclusion is positive, the proposed investment is presented to the Investment Advisory Committee of the Board of Directors. Occasionally, that presentation will include an appearance by the principals of the company. The Investment Advisory Committee reviews the staff recommendation and determines whether to recommend to the full Board that the recommendation be approved. If a company's business plan has been carefully thought through before MTDC financing is sought, the entire MTDC investment decision process can normally be completed in about eight weeks.

In situations where MTDC makes an in-depth review of a proposal and concludes not to make an investment, an effort will be made to direct the company to other potential sources of funds.

MTDC's purpose does not require it to seek voting control or even a significant minority equity position. MTDC does not take a seat on the Board or otherwise participate actively in the management of the companies in which it invests. MTDC does, however, monitor the development of each company's business and does make recommendations regarding major corporate decisions which materially affect our goals in making the investment.

Applications for Financing

MTDC invites applications for financing not only from entrepreneurs who are principals in their own firms but also from members of the venture capital, banking, legal, auditing and academic professions who are familiar with business opportunities.

No formal application is necessary, but the presentation of a written business plan is required before an in-depth review of the proposal can be made. The business plan should address the following areas:

- The characteristics and proprietary position of the company's products or services;
- The present and future market for those products or services;
- The company's strategy for achieving and maintaining significant market share;
- The company's financial history and projections, including balance sheets, profit and loss statements and cash flows;
- The background, experience and financial commitments of the company's principals and key managers;
- A statement of the amount, timing and projected use of the capital required;
- A statement of the projected growth in employment, or other positive economic impacts, which an MTDC investment would facilitate.

MTDC does not pay finder's fees to intermediaries.

Proposals for financing should be addressed directly to the President, John F. Hodgman, at MTDC's Boston offices.

